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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 000186

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COMMERCE FOR ALBERT HSU, TREASURY FOR CWINSHIP AND TTYANG,
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TAGS: CH EAGR ECON EFIN PGOV SOCI

SUBJECT: LAND AND SOCIAL STABILITY IN RURAL CHINA: A
VOLATILE MIX OF BUSINESS AS USUAL AND RAISED EXPECTATIONS?

REF: A. A: 08 BEIJING 4100
¶B. B: 08 BEIJING 4671

Classified By: Economic Minister Counselor Robert S. Luke for Reasons 1
.4 (b/d).

¶1. (SBU) SUMMARY: Discontent and the potential for rural unrest involving land disputes may be increasing despite the Government's recent emphasis on reforming rural land policy. Little substantive progress has been made to reform rural land policy since the announcement of new reforms at the October 2008 Third Plenum of the 17th Chinese Communist Party of China (CCP) Central Committee. Meanwhile, the Government and official media continue to highlight rural land policy reform efforts, possibly raising public expectations that cannot be met. The Government's fiscal stimulus plan and conflicting interests between the Central Government and local governments are slowing progress on reforming land policy. A draft rural land dispute arbitration law is available for public comment on the National People's Congress (NPC) website, but at this point Embassy contacts do not expect significant breakthroughs on land issues at the upcoming National People's Congress session in early March ¶2009. END SUMMARY.

Plenty of Headlines and Announcements ...

¶2. (U) Chinese media continue to highlight efforts to reform rural land policy following the October 9-12, 2008 Third Plenum of the 17th Chinese Communist Party (CCP) Central Committee (Ref A). Chinese official media has highlighted local initiatives to encourage farmers to lease land and transition to off-farm work, as well as efforts to set up land transfer markets to facilitate land transfers. On December 4 China's Supreme People's Court issued a circular ordering lower courts to more effectively protect farmers from land management misconduct and render void any attempt to transfer land use rights against the will or interests of farmers. On December 30 the Ministry of Land Resources announced that more than 2,700 officials had been referred for prosecution on land use violation charges.

¶3. (U) A draft land dispute arbitration law is posted for public comment on the National People's Congress (NPC) website (http://www.npc.gov.cn/COBRS_LFYJ/user/UserIndex.jsp?ID=951859). The draft law outlines the need to handle disputes fairly, protect litigants' rights, and maintain rural stability. The draft also specifies the right to appeal to local land arbitration organs and the court system if informal dispute resolution fails, lays out how the arbitration courts are to be set up and run, as well as how cases are to be handled.

¶4. (U) In a press conference following the December 27-28 Central Rural Work Conference, Chen Xiwen, Director of the Office of the Central Leading Group on Rural Work, said the Government will streamline China's land management system in 2008. According to a statement released after the meeting, China will continue to improve the market for transferring land use rights. The document also states that local trials will be carried out that include land registration initiatives.

... With Little Substance (and Maybe Even Deadlock) ...

¶5. (C) Li Ping (protect), a rural land expert working for the U.S.-based Rural Development Institute (RDI) in Beijing, said in a meeting with econoff on January 5 that land registration is the most important yet problematic part of making a land transfer system work in a way that benefits farmers. Trials to reform land registration to date have only been carried out on a small scale, according to Li, and their inclusion in the Central Work Conference statement is significant because it indicates the Central Government "really means business" and will devote resources to the effort. (Note: At a January 10 seminar RDI and Renmin University released research results from a survey of 17 major agricultural provinces showing that only 59 percent of rural farming households have received land contract or registration documents. End Note.)

However, Li said he was less impressed with other recent developments. The draft NPC land dispute arbitration legislation, according to Li, is only a small step, though still helpful if adopted and implemented.

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¶6. (C) Li said the Third Plenum gave a green light to legal transfers of village construction land (e.g., village collective land used for town and village enterprises and often transferred to outside investors), but now new rules are needed to ensure that farmers benefit from these transfers. Li also emphasized that a new land management law also needs to be passed that addresses in detail issues related to compensation and the definition of the public good in land expropriation cases, as well as land transfer procedures and mechanisms for reclassifying land from rural to urban land. Li expects movement on such a law in the next one to three years, but not by the March 2009 NPC. In a January 6 meeting with econoff, CASS Rural Development Institute scholars Yu Jianrong (protect) and Li Renqing (protect) also said they do not expect any significant movement on the land issue at the March NPC, or anytime in the near future.

¶7. (C) Lack of any progress on the more fundamental issue of privatization was also highlighted by Li, as well as by Yu Jianrong and prominent China Economic Times investigative journalist Wang Kegin (protect). In separate meetings with econoffs, they emphasized that privatization is most important because it will increase rural economic growth and domestic consumption, allow a gradual and rational process of urbanization and mitigate a key source of rural social unrest. Li also highlighted the fact that farmers still cannot use farmland as collateral to secure bank loans.

¶8. (C) According to RDI's Li, implementing rural land reform nationwide is currently beyond the capacity of the Central Government, and local governments are strongly resisting reform efforts. CASS's Yu Jianrong said the interests of local governments are diametrically opposed to making progress on this issue since local governments rely on un-compensated or unfairly compensated land transfers to supplement their local budgets, and local officials benefit personally from the transfers. Recent restrictions in the name of food security on converting agricultural land to non-agricultural use, when enforced, limit such transactions.

But according to Yu, the slowing economy and the Government's recent fiscal stimulus package only increase the

incentive for local governments to attract investment, boost revenue and help boost GDP through land transfers that are conducted on terms not beneficial to rural residents. Wang Keqin was even more skeptical, arguing that the Third Plenum allows some land-use mobility but doesn't really go very far.

The heart of the matter, according to Wang, is the Party's need to maintain control, and public ownership of land is a core mechanism for doing this. The Party will not privatize land because this means giving up a key pillar of power.

Wang commented further that "public ownership" simply means "ownership by officials," and cadres/officials make all decisions regarding land. Peasants really have no say over what happens to land, Third Plenum or no Third Plenum, Wang stressed.

... May Mean Trouble

¶9. (SBU) The RDI-Renmin University survey also indicates widespread confusion among farmers about their rights to land. Farmers with whom econoff spoke in Dong Gang Village and Huanghuazhen Village in rural Changping District, Beijing Municipality, on January 3 were aware of recent announcements on reforming China's land policies, and one farmer said a "new policy" was in place that ensured his "long-term, unchanging" (changjiu bubian) rights to his land. On further questioning, however, the farmer said he has no documentation ensuring his new rights and that it was merely a "spoken understanding." Other farmers in Dong Gang and Huanghuazhen said no new specific policies had been implemented, and that they did not think their land could be used as collateral to secure bank loans, although they were not sure. (Note: Dong Gang and Huanghuazhen Villages are located in mountainous terrain approximately 40 miles north of downtown Beijing. The farmers econoff spoke with have land use contracts for non-irrigated land used to plant corn and potatoes, as well as hillside orchard land and forest land. End Note.)

¶10. (C) Yu Jianrong commented that confusion about changing land policies, coupled with expectations that land rights are being solidified and expanded, may actually cause the Government further headaches. According to Yu, Government statements about protecting farmers' land rights make farmers feel they have firmer ground on which to stand in resisting

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local government land confiscation and illegal land management practices, making demonstrations and other forms of "mass incidents" more likely.

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